

(b) *The apparent deterioration in the U.S. competitive strength*

This trend detected by the various U.S. studies has caused the most concern, particularly since it seemed to corroborate widely-held fears, notably on the part of U.S. labour. It is still insufficiently documented to permit serious assessment, but it has clearly influenced the thinking of the U.S. Administration. Certain U.S. studies, including those of the Hudson Institute for instance, suggest that the gradual loss in U.S. comparative advantage in manufacturing will continue and will extend to other important manufacturing sectors – e.g., automobiles and machinery. U.S. competitive strength in the future might be concentrated in such fields as high technology, organizational and management techniques, and certain consumer goods, as well as in agriculture and certain raw materials. Meanwhile the importance of the U.S. manufacturing industry as a source of employment has been declining steadily and rapidly in relation to the service industries. These trends are viewed as indicative of fundamental structural changes associated with the gradual movement of the U.S. into the “post-industrial society”.

(c) *The rapidly growing influence of multinational corporations*

The rapidly growing influence of multinational corporations, mostly U.S.-based, is another basic and related trend viewed with some concern both within and outside the United States. These corporations have facilitated an accelerated movement of capital, technology, merchandising and marketing techniques and management to foreign countries with a resulting transfer of production of many products and components to areas outside of the United States. The major U.S. studies argue strongly that, on balance, the U.S. economy has gained more than it has lost from the activities of multinational corporations, but this view is not undisputed within the United States, notably by trade union organizations.

(d) *Economic policies of the EEC and Japan*

The U.S. Government has argued, moreover, that its trade position has seriously suffered from continuing and significant trade restrictions in the EEC and in Japan (e.g., the common agricultural policy, preferential arrangements and non-tariff barriers in the EEC, manifold administrative restrictions in Japan). This U.S. contention is valid in the sense that it is true that EEC agricultural price-levels

have encouraged the production of substantial higher-cost surpluses, and hurt export possibilities of the United States and other more efficient agricultural producers. Yet U.S. trade as a whole with the EEC has continued to expand and trade with Japan has also increased markedly in both directions. This U.S. view also takes insufficient account of U.S. barriers encountered by the products of other countries, though it may be an accurate reflection of current U.S. perceptions.

(e) *U.S. dependence on outside supplies of energy and mineral resources*

A further major trend which will adversely affect the U.S. trade balance and freedom of manoeuvre is the growing dependence of the United States on foreign sources of energy and mineral resources. The current U.S. deficit in minerals, fuels and other raw materials is even now substantial. It is expected to rise fairly slowly until 1975 and from then on more rapidly. In oil and gas the United States is already facing difficulties in meeting domestic demand and import needs are expected to grow rapidly. Nevertheless, the United States is and will in the foreseeable future remain much less dependent on outside supplies than the EEC or Japan because of its large domestic resources.

(f) *The significance of U.S. long-term capital outflows*

In contrast to existing concerns about the U.S. trade position, the growing level of earnings on U.S. long-term capital exports, particularly from U.S. private investments abroad, is viewed as a major source of strength in the future for the U.S. economy and balance of payments. This is one of the major conclusions drawn by all recent U.S. studies, notably by the Williams Commission, which strongly recommends that the United States eliminate its direct investment controls and support international efforts to secure a free flow of direct-investments across national boundaries without artificial impediments or incentives. According to the Commission's analysis, the maintenance of U.S. capital exports, in particular of U.S. private-investment outflows in the future, would represent a major U.S. interest.

It may be expected that, under a reformed international monetary system, the U.S. dollar will no longer enjoy the special position it has had in the past and that the United States will have to accept new disciplines broadly similar to those applying to other countries in dealing with balance-of-payments problems. At the same